

Title: **Write-Off Report**

Portfolio Holder: **Cllr While – Finance Portfolio Holder**

Reporting Officer: **Ian Jamieson – Corporate Director**

Key Decision: **No**

Purpose

The purpose of this report is to propose the write-off of various debts as at 30 September 2008. The last write-off report was as at 31 May 2008.

Background

It is inevitable that some of the debtor accounts raised by the Council will not be collected. This is usually for the following reasons:

- The debtor becomes bankrupt
- The debtor moves away from the area and cannot be traced

The five main categories of debtors are:

- i) Council Tax
- ii) National Non Domestic Rates [NNDR]
- iii) Housing Benefit Overpayments
- iv) Sundry Debtors
- v) Housing Rents

Cabinet appointed Ross and Roberts as external bailiffs in September 2004 and since they commenced work in January 2005, arrangements have worked well. There is now a County wide contract, won by Ross and Roberts, which includes acting as a collection agent for Council Tax, NNDR and all other sundry debts. The total amounts collected to date are listed below:

	Council Tax £	NNDR £	Total £
2005/06	265,793.85	73,555.08	339,348.93
2006/07	339,135.34	65,081.40	404,216.74
2007/08	434,439.88	113,410.56	547,850.44
2008/09 (to 30/09)	303,625.18	72,024.05	375,649.23
Total	<u>1,342,994.25</u>	<u>324,071.09</u>	<u>1,667,065.34</u>

The chasing of Council Tax and NNDR debt continues to be proactively managed by Revenues & Benefits. The economic limit for actively chasing debt has been lowered to enable lower level debts to be pursued.

The sundry debtors' function is administered through Financial Services and every effort is made to recover outstanding debts. It is only when we have exhausted all avenues of recovery that debts are written off.

We take a long-term view of debt and leave the accounts active for a considerable time, in case they return to the District. There have been a small number of these over the past few years. Debt previously written off can be written back for collection if the debtor is subsequently located. Debt that is unlikely to be collected is included in this report.

In addition to collecting the current year Council Tax and NNDR charge, Revenues & Benefits continues to proactively manage and collect arrears. Since 1 April 2008 historic Council Tax arrears have been reduced by 36.3%, which equates to £1.3m and NNDR historic arrears have been reduced by 47.8% equating to £439k.

The Audit Committee reviewed the level of sundry debtor arrears and recovery at its meeting of 25 September 2008. The committee recognised that progress has been made in debt recovery but expressed concern at the amount of debt still outstanding for housing services in respect of storage of tenant's goods. Cabinet were requested to review this area.

In preparation for the new council, additional work is being carried out to review all outstanding debt. This will be carried out by both the Finance Department and Service Managers, with a focus on old debt that is unlikely to be collected.

Key Issues

Council Tax

For each debtor category the number of accounts and approximate number of liable persons are shown.

A review was undertaken by Revenues & Benefits to look at outstanding debt for accounts classified as absconders and internal bailiff cases. The review was part of the final action required when an account becomes untraceable, and follows on from work that was detailed in a recent internal audit.

The work carried out on absconders and “nulla bonas” (no goods) returned from the external bailiff, feeds into the write off figures below and accounts for the increase in the graph on the next page.

			£
Under £500:	Bankruptcies		6,177.77
	Unable to trace		81,558.30
	Other		<u>4,738.60</u>
	Total		<u>92,474.67</u>

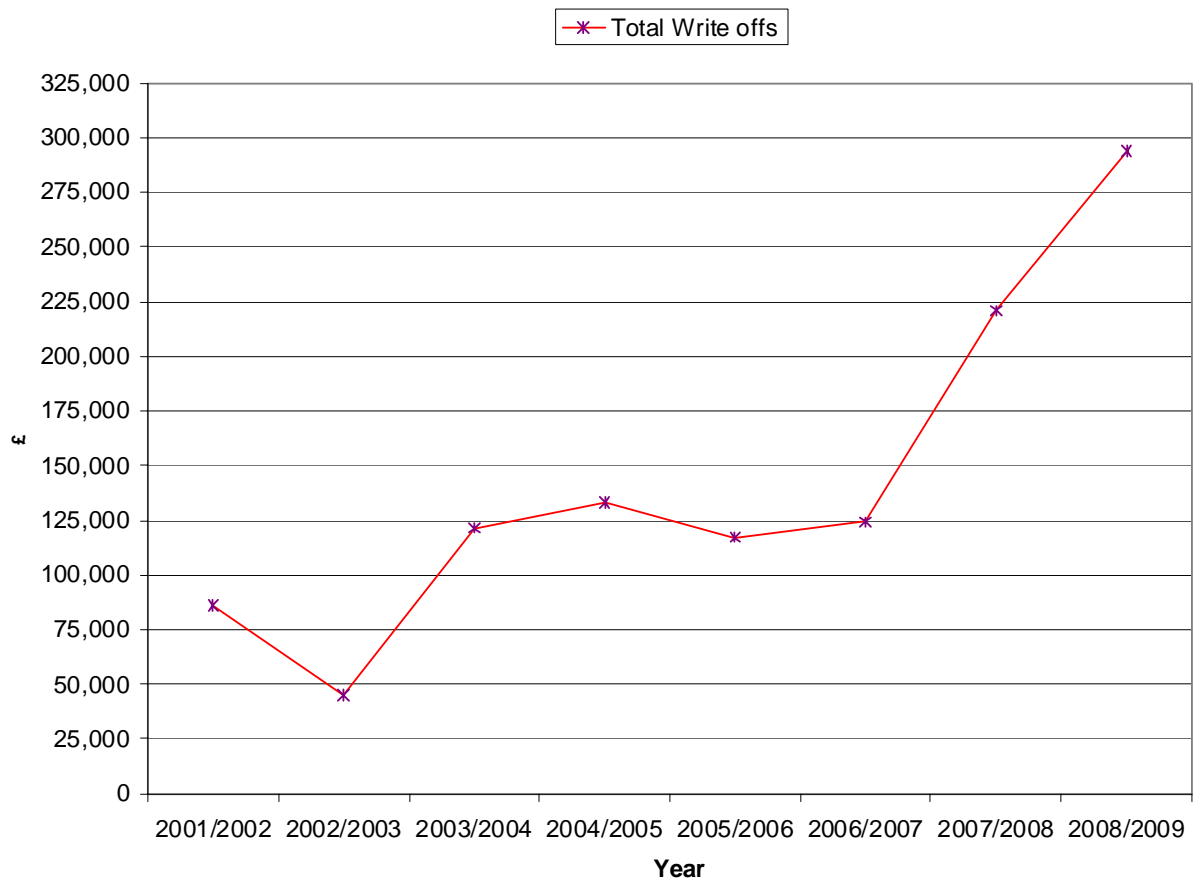
The total write off represents 615 accounts at an average balance of £150.37 (434 liable persons).

		£
Over £500:	Bankruptcies	5,069.25
	Unable to trace	61,227.58
	Other	<u>525.45</u>
	Total	<u>66,822.28</u>

The total write off represents 99 accounts, at an average balance of £674.97 (81 liable persons).

Our target collection rate for the year is 97.8%, as at 30 September actual collected was 59.3% against an expected of 59.5%. Direct debit take up is now at an all time high of 72.5% and this together with our benefits awareness promotion will help to minimise the impact of the current economic climate on the collection rate.

Council Tax Write Offs



National Non Domestic Rates

		£
Under £500	Bankruptcies	3,514.01
	Other	<u>120.00</u>
	Total	<u>3,634.01</u>

The total write off represents 20 accounts, at an average balance of £181.70 (16 liable persons).

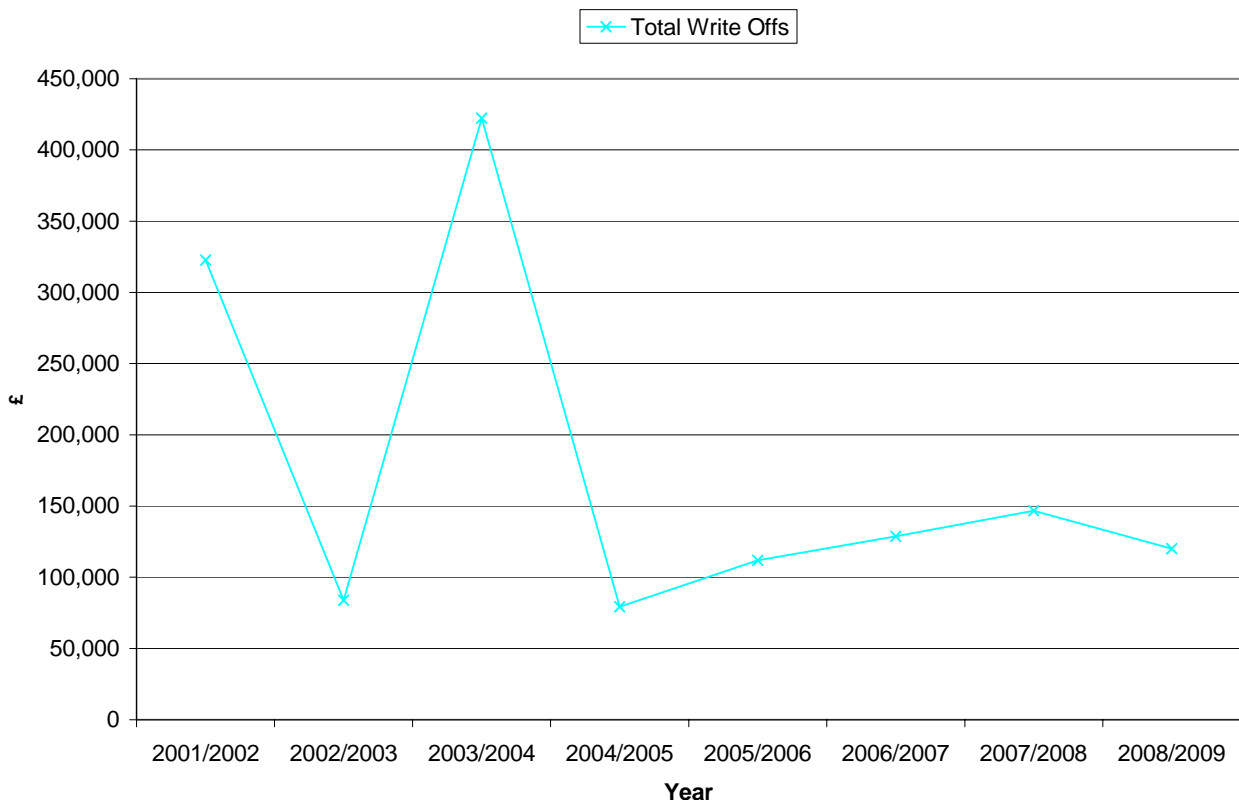
£

Over £500	Bankruptcies	<u>50,857.16</u>
	Total	<u>50,857.16</u>

The total write off represents 22 accounts, at an average balance of £2,311.69 (13 liable persons).

Our target collection rate for the year is 98.6%, as at 30 September actual collected was 61.1% against an expected of 59.8%. The current economic climate is beginning to impact on the business community and this will put additional pressure on achieving the year end collection target. In these difficult times we are very much aware of the need to try and help companies, in particular by spreading the cost over a period of time.

NNDR Write Offs



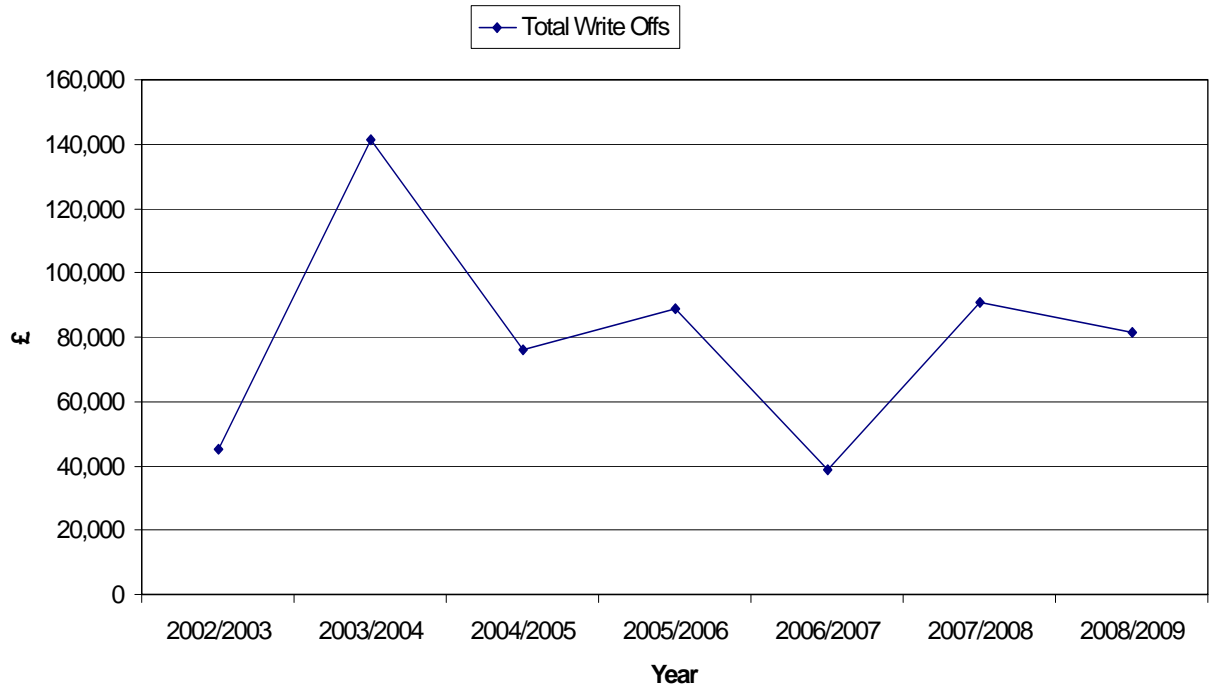
Note: The peak in 2003/2004 was due to a large company going into liquidation during the year owing over £270,000 in business rates.

Housing Benefit Overpayments

£

Under £500	7,971.45 (60 accounts @ £132.86 average)
Over £500	<u>36,583.03</u> (21 accounts @ £1,742.05 average)
Total	<u>44,554.48</u>

Housing Benefit Overpayment Write Offs

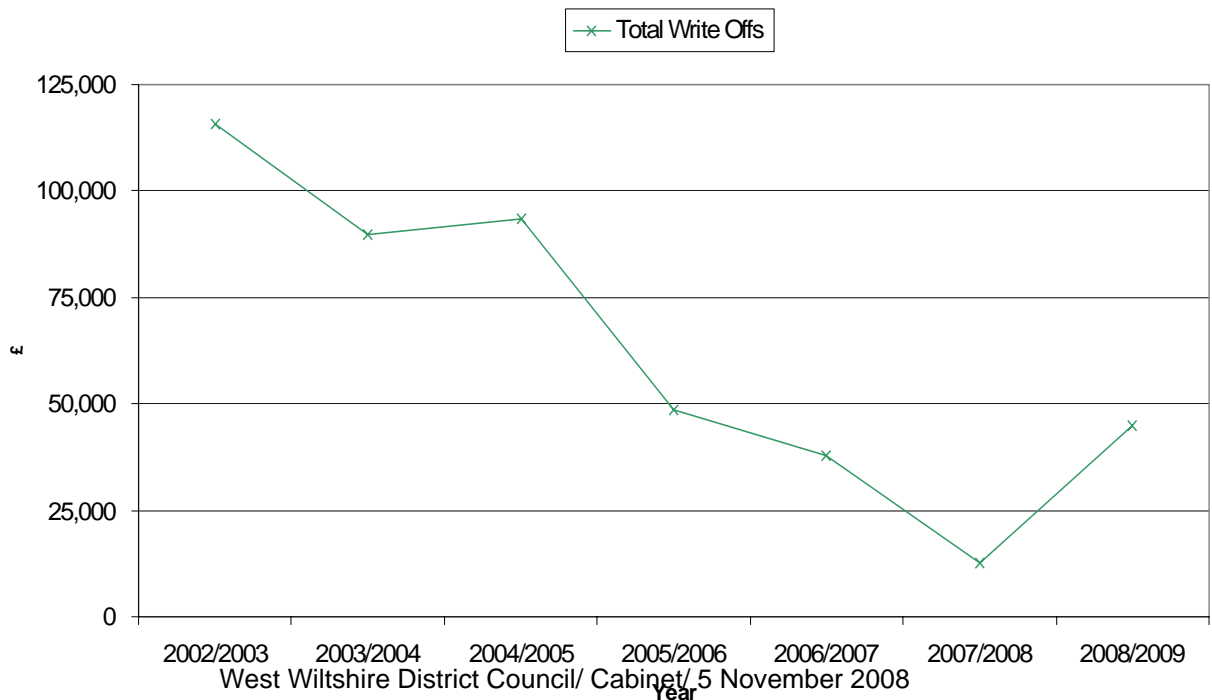


Note: The peak in 2003/2004 was due to an exercise that went through and wrote off old outstanding housing benefit overpayment debt.

Sundry Debtors

	£
Under £500	8,181.79 (44 accounts @ £185.95 average)
Over £500	<u>36,815.38</u> (22 accounts @ £1,673.43 average)
Total	<u>44,997.17</u>

Sundry Debtor Write Offs

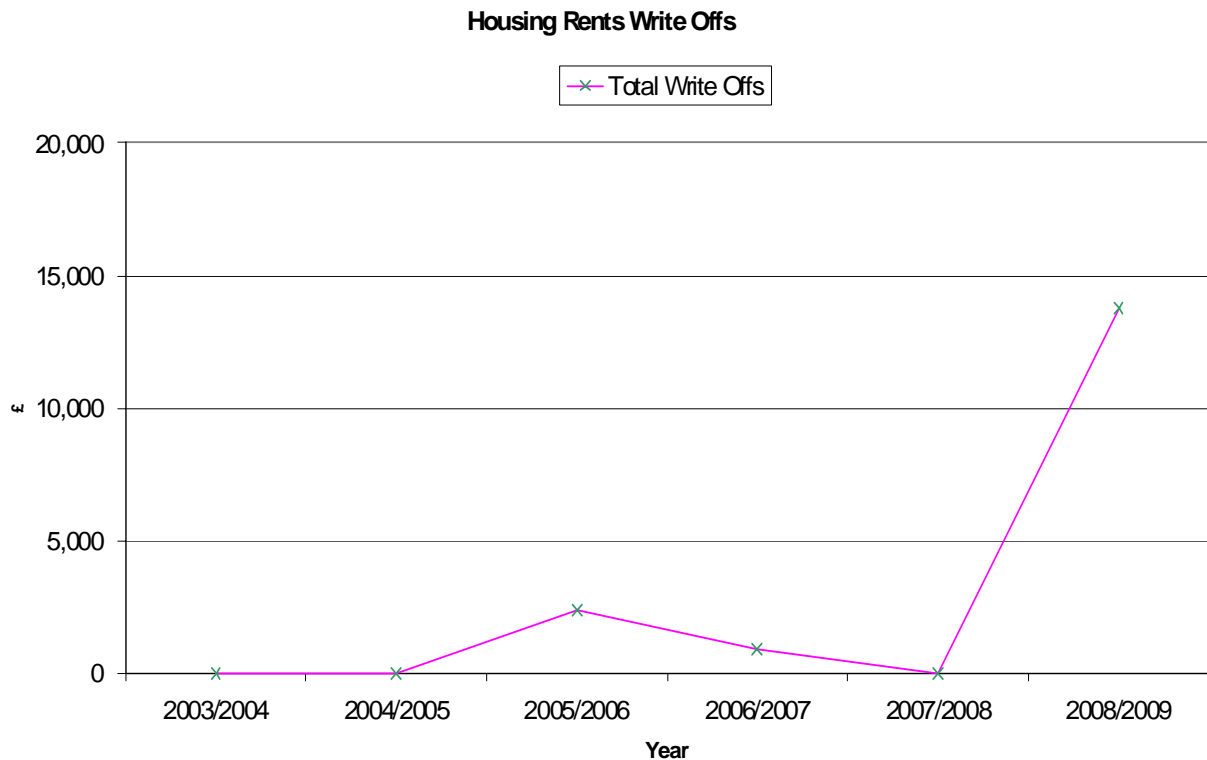


The current write off is in respect of commercial property rent due to company liquidation and housing storage removals.

The previous high levels of sundry debt being written off occurred when the council still operated a trade waste service.

Housing Rents

	£	
Under £500		18.80 (7 accounts @ £2.69 average)
Over £500		<u>0.00</u>
Total		<u>18.80</u>



The increase relates to old bed and breakfast/hostel debt written off in a previous report.

Provision for debts

All the debts detailed above are covered and will be written off against the provisions made in the accounts, which at 31 March 2008 stood as follows:

	£
Council Tax	1,006,000
National Non Domestic Rates	284,000
General Fund	210,000
Housing Rents	<u>111,000</u>
Total	1,611,000

The balance on provisions will be transferred to the new Wiltshire Council at 1 April 2009.

Effect on strategies and codes

These are contained in the report.

Risk Management Implications

These are contained in the report.

Finance and Performance Implications

These are contained in the report.

Legal and Human Rights Implications

There are no direct legal or human rights implications.

Next steps

All debts approved for write off will be recorded in the appropriate financial systems.

Recommendations

That Cabinet:

- i) Notes the action of the Section 151 officer in writing off the debts under £500 totalling £112,280.72.
- ii) Approves the write off of the debts over £500 totalling £191,077.85.
- iii) Notes that the total amount of debt written off from the proposals above equals £303,358.57.
- iv) Request further detailed work to be carried out in respect of the Housing storage cost debt.

Background Papers

Write off file held in Financial Services, room F35